

PINON MANAGEMENT'S COMMENTS TO THE DEPARTMENT OF HUMAN SERVICES' EXECUTIVE SUMMARY RESPONSE TO OUR GAP ANALYSIS

The analysis provided by Pinon highlights the gaps in oversight when compared with their financial capacity to fund a highly centralized structure. The State has traditionally established a structure that necessitated the homes manage self-contained operations to cover their own facility expenses with minimal centralized overhead costs. This is challenging but the homes have responded and managed this responsibility successfully for many years.

Pinon Management Response: *The long term care environment has changed significantly over the past ten years. Resident acuity levels have increased, creating both clinical and psycho-social challenges; the regulatory environment has toughened, Medicaid dollars have shrunk, and census statewide has been declining. The old minimalist way the state has traditionally followed with minimal oversight of its facilities will no longer work. It will especially not work in an urban environment such as Fitzsimons.*

Admittedly, the Department had a significant failure in the management of one home -- the Fitzsimons State Veterans Nursing Home. The Department has acknowledged numerous times over the last eighteen months that the clinical issues at Fitzsimons were unacceptable and the problems that were uncovered were very serious. The Department accepts responsibility for these problems and is accountable for ensuring that the quality of care is improved and sustained.

Pinon Management Response: *While the department acknowledges a significant failure in the management of "one" home by admitting the clinical failures at Fitzsimons were unacceptable, it should be noted that the failure of Fitzsimons occurred in every area and in every department. While substandard care received most of the publicity, everything from accounts receivable collections, reconciliation of resident trust funds, cash flow management, budget development and compliance, overall financial management and monitoring, preparation of inaccurate cost reports leading to overpayment and paybacks, and to 55 open positions including all key nursing management positions indicates a failure of staggering proportions that jeopardized the very existence of this facility.*

The Department appears to view the Fitzsimons failure as merely "one" facility that had unacceptable clinical issues in a back drop of better-than-private-sector results

overall. The Department needs to see Fitzsimons as a wake-up call for change, not as an aberration to an otherwise successful approach to management.

The department failed to inform the Accountability Committee of the recent substandard care survey at the Trinidad State Nursing Home, reflecting once again a lack of systems and management oversight. We will elaborate on this issue later in our response. Additionally, there is declining census in several of the state nursing homes that if unabated, will lead to facility hardships.

Department staff have demonstrated a strong commitment to the military veterans of this State. The Department is proud of the work of these dedicated employees at every level of the organization. The Department is committed to continuous quality improvement within all of its facilities. And the Department maintains that commitment whether there are no state resources as has routinely been the case, or whether the level of resources provided to Pinon Management is made available for the State to address the gaps identified in Pinon's report. Department staff has performed considerably well without the resources that may be considered optimum in the private sector environment.

Pinon Management Response: *A commitment to a continuous improvement process is commendable. However, the commitment starts from the very top of an organization to provide expertise, leadership and vision, as well as the systems and the appropriate oversight to actualize the continuous improvement process. Continuous quality improvement also means developing new programs such as open dining, resident determined bathing, individualized activities and a softening of the institutional setting through more homelike common areas. This would also have the effect of attracting new residents to these old facilities.*

The Department then goes on to state that this commitment will be maintained whether the level of resources needed by the gap analysis is funded or not. If the Department does not substantially fill the gaps at the division level as identified in the gap analysis, one wonders how it will achieve an effective continuous improvement process.

In examining the context of the Accountability Committee's focus, it is important to look at the Department's overall performance with respect to providing care to Colorado's veterans. The Department has successfully operated four other state veterans homes and oversees one government-contract facility for as far back as 45 years. The Division's survey record for 2004 is as good or better than homes managed in the private sector. The average number of deficiencies for the State and Veterans Nursing Homes was only 4.5 in 2004 compared with the statewide average of 8.0 deficiencies and a national average of 7.0 deficiencies. When the survey average is calculated without factoring the Fitzsimons' deficiencies, the State and Veterans Nursing Homes had a 2004 annual average of only 3.2 deficiencies.

Pinon Management Response: *Pinon Management is disappointed in DHS in this particular response. If the Department took a little broader view of the deficiency issue, for example, going back to the last quarter of 2003, and going forward to the*

first quarter of 2005, the Division's Health Department survey record is significantly worse than the records of those homes managed in the private sector. In 2003, Fitzsimons had the worst survey on record in Colorado. In 2005, Trinidad State Nursing Home received very poor survey results. The most serious deficiencies were as follows: The facility received a level H deficiency which represents substandard care. A level H indicates a pattern of actual harm, and this occurred in skin treatment and pressure sores, etc. Additionally, the facility received two level G deficiencies which indicate isolated actual harm. One was for falls, and the other was for dignity related to lack of toileting and lack of timely call light response. Also, the facility received a level F deficiency which reflected widespread potential for harm due to inadequate staffing.

It should also be noted that in 2004, Homelake received a repeat G violation. While a G violation, which represents isolated actual harm, can sometimes occur in a well managed home, the concern is that the G deficiency was not resolved in a timely manner and was a repeat deficiency.

The State and Veterans Nursing Homes face the same problems that the entire nursing home industry is struggling with today. Across the country nursing homes are in a financially and operationally unstable situation because of increases in facility per diem care costs. These higher costs are a result of dramatic increases in resident acuity, an unparalleled nursing shortage, higher vacancy rates, and Medicaid reimbursement rates that are not keeping up with the costs of care.

Pinon Management Response: *We agree with the Department's response. We believe this actually supports the recommendation for a strong management team at the Division level.*

Although the Pinon recommendations cannot be implemented without additional resources, the Department is committed, whatever the resource level, to maintaining performance at better than industry standards. This document presents options to the Committee in the Key Indicator areas presented by Pinon in their Executive Summary Report of the Gap Analysis. (Leadership, Management, Financial, Clinical, Admissions/Marketing)

Pinon Management Response: *We agree that Pinon's recommendations cannot be implemented without additional resources. However, we question the ability of the Department to maintain performance at better than industry standards regardless of the resource levels. In other words, we do not believe the traditional way the state has overseen the nursing homes, will achieve a better-than-industry performance in these challenging times.*

KEY ACCOMPLISHMENTS

Historically, the nursing homes have done quite well with both the state and VA surveys, with deficiencies below state and national averages.

Pinon Management Response: *We do not believe that this statement accurately reflects the history for 2003 through April 30th 2005, as previously indicated in our comments.*

The nursing homes have been able to recruit and retain well qualified and experienced Administrators and staff.

Pinon Management Response: *While this may be true in the rural facilities, this was certainly not the case at Fitzsimons. The state personnel system, as discussed previously in the Accountability Committee, is slow, cumbersome, and in some cases not competitive with wages and benefits in the Denver market.*

Exit Strategy

Leadership. The Department's new Division Director brings 16 years of nursing home management experience to the Division. The Quality Improvement Nurse has been hired to provide division level clinical oversight. In addition, the Department continues to dedicate significant Departmental resources including the Manager of Adult, Disabilities, and Rehabilitation Services, the Assistant Manager, the Department Controller, and the Budget Director. These individuals will continue to assist the facility in overseeing the financial, HR, and monitoring to ensure that the facility has support until the homes can recover from the financial burdens of the past 18 months. The Division Director is involved in weekly management meetings at Fitzsimons and is working closely with Pinon's Project Manager. The transition from Pinon Management is one of the Division's highest priorities. As such, the Division will allocate the necessary time to ensure that orientation to programs and systems is complete. During FY 2004-05 Florence, Walsenburg, and Homelake Veterans Nursing Homes had pre-surveys completed by an outside Nurse Consultant. The Trinidad State Nursing Home and the Rifle Veterans Nursing Home each completed a pre-survey by utilizing either in-house or sister facility expertise. For FY 2005-06, all State and Veteran Nursing Homes will utilize outside resources for pre-survey consultation.

Pinon Management Response: *Pinon Management respects the newly hired Division Director and the experience he brings to the Division. We are also pleased that the Department has hired at the Division level a Quality Improvement Nurse for clinical oversight. While this QI nurse will hopefully benefit the state facilities, we have two concerns which may or may not turn out to be problematic. First, the Department did not request Pinon Management's input for the hiring of this QI nurse position. Previously, the state has solicited Pinon's input on the Division Director and Nursing Home Administrator positions at Fitzsimons. Secondly, we are concerned that the newly hired QI nurse lacks nursing home experience and has not worked, as far as we know, in a leadership position in a nursing home.*

The Department states that pre-surveys are performed either by one individual outside consultant or by in-house or sister facility staff. As explained in our gap analysis, this is a flawed approach. The substandard care survey at the Trinidad State Home is further evidence of that flaw.

DEPARTMENT LEVEL OVERSIGHT AND MONITORING CURRENT ORGANIZATIONAL CAPACITY vs. THE PROPOSED CENTRALIZED OVERSIGHT MANANGMENT

Pinon Management Response: The Department's estimate of the additional cost of our recommendations, as cited in our gap analysis, for centralized oversight and management, is overstated for the following reasons:

- Business Manager – We do not understand the need for this position. We believe that an Accountant and a Field Analyst should be able to cover most of the financial requirements for the Division. This would reduce DHS' estimated cost by \$96,748.*
- Pre-Survey Consultant – We believe that Division staff and consultants already included in the analysis and internally should be able to perform the pre-survey for the Division with the exception of Fitzsimons. Only Fitzsimons would require a pre-survey consultant at a cost of \$7,500. This would reduce DHS' estimated total cost by \$25,000.*
- Social Services Consultant – We recommend that DHS hire a full time social worker to support the needs of the Division. We do not feel a part time consultant can handle the requirements for the state nursing homes. The net additional cost would be \$53,400.*
- Outside Evaluation and Monitoring – We do not understand what the Outside Evaluation and Monitoring cost of \$360,000 represents in the total cost estimate. Based upon our gap recommendations, we believe that this \$360,000 is not necessary.*

In conclusion, we believe that the DHS Department Level Oversight and Monitoring cost estimate is overstated by \$449,948 from the original estimate of \$1,036,457. The new cost estimate is only \$226,232 higher than the staffing currently utilized at the Division.